

<5>

**<5>**



**Jensen Huang has been CEO for 32 years.  
They had their IPO 26 years ago.**



**Their stock value from 1999 to 2025.**

**Startup success doesn't happen overnight.**

# BUS-217

**Step 1: Listen to the waves.**

**Step 2: Create something people want.**

**Step 3: Draw the landscape.**

**Step 4: Build an engine of growth.**

**Step 5: Engineer an economic model.**

**Step 6: Develop a capital strategy.**

**Step 7: Frame a funnel.**

**Step 8: Be a master storyteller.**



# Spreadsheets!



**<5>**

**Engineer an economic model.**



# Pets.com

*Because pets can't drive.*





# Pets.com

**November 1999, Pets.com received \$35 million in venture funding from Bowman Capital Partners, and Hummer Winblad Ventures.**

**Market numbers were awesome: Sixty percent of all American homes have pets, and the \$23 billion market segment was larger than toys or music.**

**The vanity metrics were awesome: The website won numerous awards for its beautiful design, and by late 2000 attracted over 1.9 million unique visitors.**

**The business model was awesome: deep discounts and free shipping!**

**Table 4: Pets.com Income Statements<sup>5,25</sup>**  
**(in thousands)**  
**For the periods:**

|  | February 11 to<br>December 31, 1999 | January 1 to<br>September 30, 2000 |
|--|-------------------------------------|------------------------------------|
| Sales  | \$ 5,787                            | \$ 25,780                          |
| Cost of Goods Sold                                   | 13,412                              | 32,670                             |
| Gross Profit   | (7,625)                             | (6,890)                            |
| Operating Expenses:                                  |                                     |                                    |
| Marketing and Sales                                  | 42,491                              | 60,654                             |
| Product Development                                  | 6,481                               | 7,211                              |
| General and Administrative                           | 4,254                               | 8,855                              |
| Amortization of deferred<br>Stock-based compensation | 2,118                               | 3,136                              |
| Total Operating Expenses                             | 55,344                              | 79,856                             |
| Operating Loss                                       | (62,969)                            | (86,746)                           |
| Interest Income, net                                 | 1,191                               | 1,876                              |
| Net Loss   | (\$61,778)                          | (\$84,870)                         |



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|  | -----                               | -----                              |
| Net Loss   | (\$61,778)                          | (\$84,870)                         |
|  | =====                               | =====                              |



# **Pets.com**

**From February to September 1999, Pets.com earned revenues of \$619,000, and spent \$11.8 million on advertising.**

**For every dollar the company paid to UPS for shipping, it collected \$0.43 from customers.**

**In November 2000, the company ceased operations, after \$300 million in investor dollars had gone down the toilet in less than 2 years.**



## Get matched with your perfect tutor now!

Answer 4 easy questions to get matched with the right tutor for you.

I am a



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The Right Tutor for You



Perfect Match Guarantee



tutorspree

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closed on a  
funky amount of  
funding (again)  
for fund two  
*6 days ago*



New York starts  
accepting  
applications for  
autonomous  
vehicle testing  
*5 days ago*



Pattern  
recognition  
*2 days ago*



Microsoft's  
Cognitive  
Services get  
customizable  
models for  
search, image  
classification and  
A/B testing  
*6 days ago*



Trump's  
cybersecurity  
executive order  
*1 day ago*

# YC-Backed Tutorspree Is An Airbnb For Tutoring

Posted Jan 26, 2011 by [Alexia Tsotsis \(@alexia\)](#)



tutorspree

Login Blog Sign Up as a Tutor

Find great tutors for your kids.

Where do you live?  
  
Example: "New York, NY" or "10021"

Find a tutor!

- New York City Tutors
- Los Angeles Tutors
- San Francisco Tutors
- Boston Tutors
- Washington, DC Tutors

- Math Tutors
- Language Tutors
- Judaic Studies Tutors

- Social Studies Tutors
- Science Tutors
- History Tutors

ts

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Launching today from the [YCombinator](#) Class of 2011, [Tutorspree](#) is a online marketplace for K-12 tutors along the lines of accommodations network [Airbnb](#), but specific to tutoring (yes I've made [this](#) comparison before). Founded by [Aaron Harris](#), [Josh Abrams](#) and [Ryan Bednar](#), the startup is disruptive in the sense that the tutoring space up until now has been monopolized by agencies like Sylvan and Huntington Learning Center or risky alternative Craigslist.

Tutoring is a business that is aching for change: Agency strongholds make tutor comparison difficult and Craigslist is a whole 'nother can of worms trustwise. So Tutorspree tries to combine the easy accessibility of the Internet with the quality vetting of an agency, at reduced cost. All you need to do as a parent to find a tutor is type in your location into the Tutorspree search box, and you'll get a listing replete with photos, credentials and price. Prospective tutors can sign up with the "sign up as a tutor" link at the top of the site.



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# tutorspree

- Y-combinator class of 2011
- Huge opportunity - tutoring is a \$5 billion market.
- Financial model showed they needed almost no marketing budget because the founders were SEO experts and could get good Google search results.
- Raised \$1.8M from Sequoia, YC, and other top venture investors.
- Signed-up 7,000 tutors in the first few months.
- Economic model was 50% cut of each transaction  
(average \$50/hour, each student would buy an average of 6 tutoring sessions).



**tutorspree**

**In March of 2013 Google changed its algorithm  
and Tutorspree found their SEO traffic reduced by  
80% overnight.**







## After Raising \$1.8 Million, Y Combinator Startup Tutorspree Shuts Down



Alyson Shontell

Sep. 8, 2013, 1:59 PM 7,614



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(Tophatter)


• **We Tried Bombas Socks. Here's What Happened:**  
(Business Insider | Bombas Socks)


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The hardest decision a founder can make is knowing when to throw in the towel. Tutorspree, a company that was founded in 2011 and raised \$1.8 million, just did that.


Tutorspree was a platform that connected local tutors to students in need. It graduated from the prestigious startup accelerator program, Y Combinator and was founded by a former Wall Street worker, Aaron Harris, along with








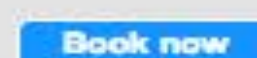
Brooklyn - 1 Hotel Brooklyn Bridge  
Superb 9.3




Brooklyn - The Brooklyn  
Fabulous 8.6




Brooklyn - Aloft Brooklyn  
Very good 8.4





New York - Hotel Pennsylvania



Brooklyn - Wythe Hotel  
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## After Raising \$1.8 Million, Y Combinator Startup Tutorspree Shuts Down



Alyson Shontell



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The hardest decision a founder can make is knowing when to throw in



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When SEO Fails: Single Channel

Bret

← → ↻

www.aaronkharris.com/when-seo-fails-single-channel-dependency-and-the-end-of-tutorspr... ☆

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Aaron's Blog

# When SEO Fails: Single Channel Dependency and the End of Tutorspre

06 Jan 2014

Although we achieved a lot with Tutorspre, we failed to create a scalable business. I've been working through why. In doing so, I'm trying to avoid the sort of hugely broad pronouncements I often see creep into post mortems that I've read: "don't hire people!"; "hire people faster!"; "focus on marketing at all costs"; "ignore marketing, focus on product" etc.

I've focused here on the strategic causes of our failure. While I learned a huge amount about operations, managing, and team building; mistakes made in those areas were not the ultimate cause of failure just as the many things we got right within the company did not ultimately lead to success. I also recognize that this doesn't cover every detail, even on the strategy side.

## SEO: Too good to be true

Tutorspre didn't scale because we were single channel dependent and that channel shifted on us radically and suddenly. SEO was baked into our model from the start, and it became increasingly important to the business as we grew and evolved. In our early days, and during Y Combinator, we didn't have money to spend on acquisition. SEO was free so we focused on it and got good at it.

That worked brilliantly for us. We acquired users for practically nothing by using



# What Really Killed Homejoy? It Couldn't Hold On To Its Customers



**Ellen Huet**, FORBES STAFF

*I write about technology and how it affects us.* [FULL BIO](#)

A cleaning company charges north of \$85 for a 2.5-hour house cleaning, but to rope in as many new customers as possible, it [offers the service](#) for a promotional price of \$19. Guess what happens when the introductory deal is used up?

You don't need an MBA to solve this riddle. The customer never books again -- and that's the problem that plagued Homejoy, the cleaning services marketplace startup that was, for a while, a Silicon Valley darling before [it said Friday it was shutting down](#).

Homejoy cofounder and CEO Adora Cheung [told Re/code](#) that the "deciding factor" was the four lawsuits it faced from cleaners who claimed they were misclassified as independent contractors. That's likely true -- the liabilities and legal costs associated with the suits were no joke. But there's more to Homejoy's demise: its customer acquisition model simply didn't pencil out, former employees and industry sources said.



Homejoy faced pressures dreadfully familiar to many successful young startups: Raising a huge round (in this case, \$38 million in 2013) comes with investor expectations of equally huge growth. To meet those expectations, Homejoy expanded quickly -- too quickly, former employees said -- into new and international markets, at one point opening in [30 cities in six months](#).

Cheung "was always telling the growth story ... because we need to have this story to raise the next round of capital," said the same former employee. "She really felt that if the company stopped growing really, really fast we'd be dead."

Homejoy paid dearly for its growth. When it entered new markets, it grabbed new customers on deal sites like Groupon and LivingSocial or by offering discounts on its own site. It leaned on these sources, with about 75% of its bookings coming from discounts as opposed to referrals or organic traffic, former employees said.

Not only did that kind of discounting [make Homejoy lose significant money](#), it also brought in the wrong kind of customer. Many never booked again because they weren't willing or able to pay the full price, which ranged from \$25 to \$35 an hour. Homejoy [changed its pricing](#) last year to make recurring cleanings cheaper and encourage repeat business. In response, some customers simply booked at the cheaper price and cancelled future appointments.

"There's an adverse selection to high discount -- it's maybe not sending the right message," said Benedikt Franke, cofounder of Helpling, a German company similar to Homejoy. (It goes without saying, but Franke, like Handy's Hanrahan, has an interest in highlighting



# Unit Economics



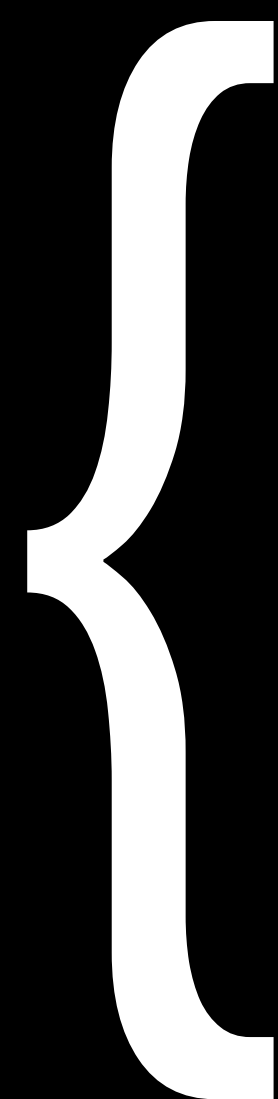
**One Unit.**

# **Unit Economics**

**Every business distills down to unit economics.**

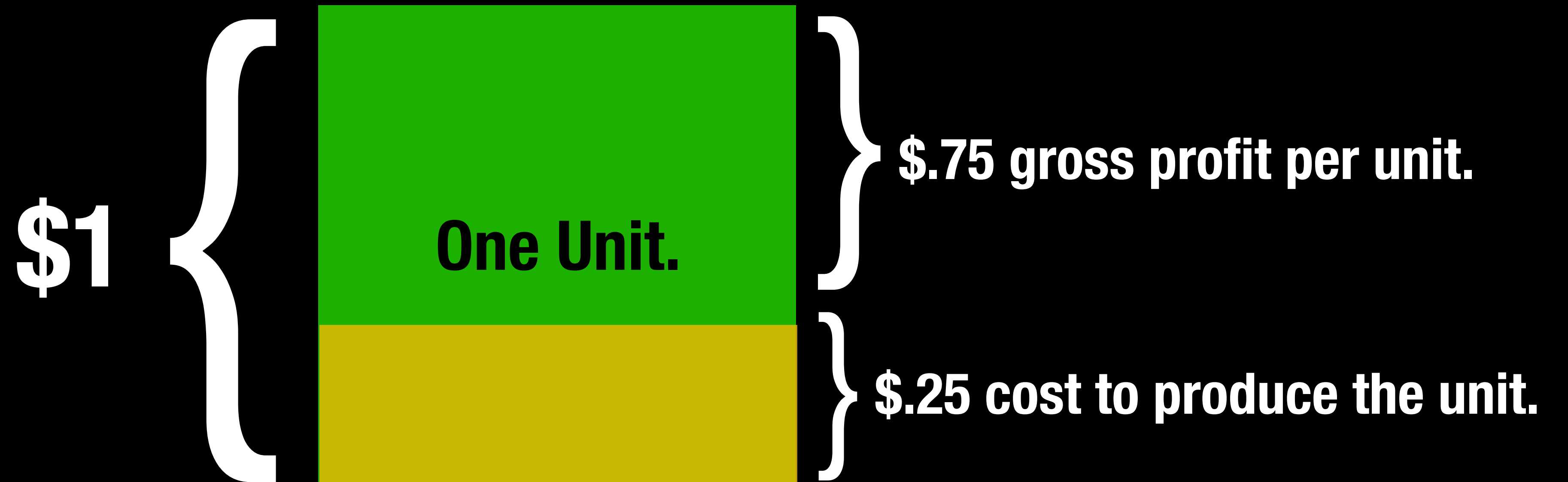
**Something we can produce for X, and customers will pay Y for it.**

**\$1**



**One Unit.**

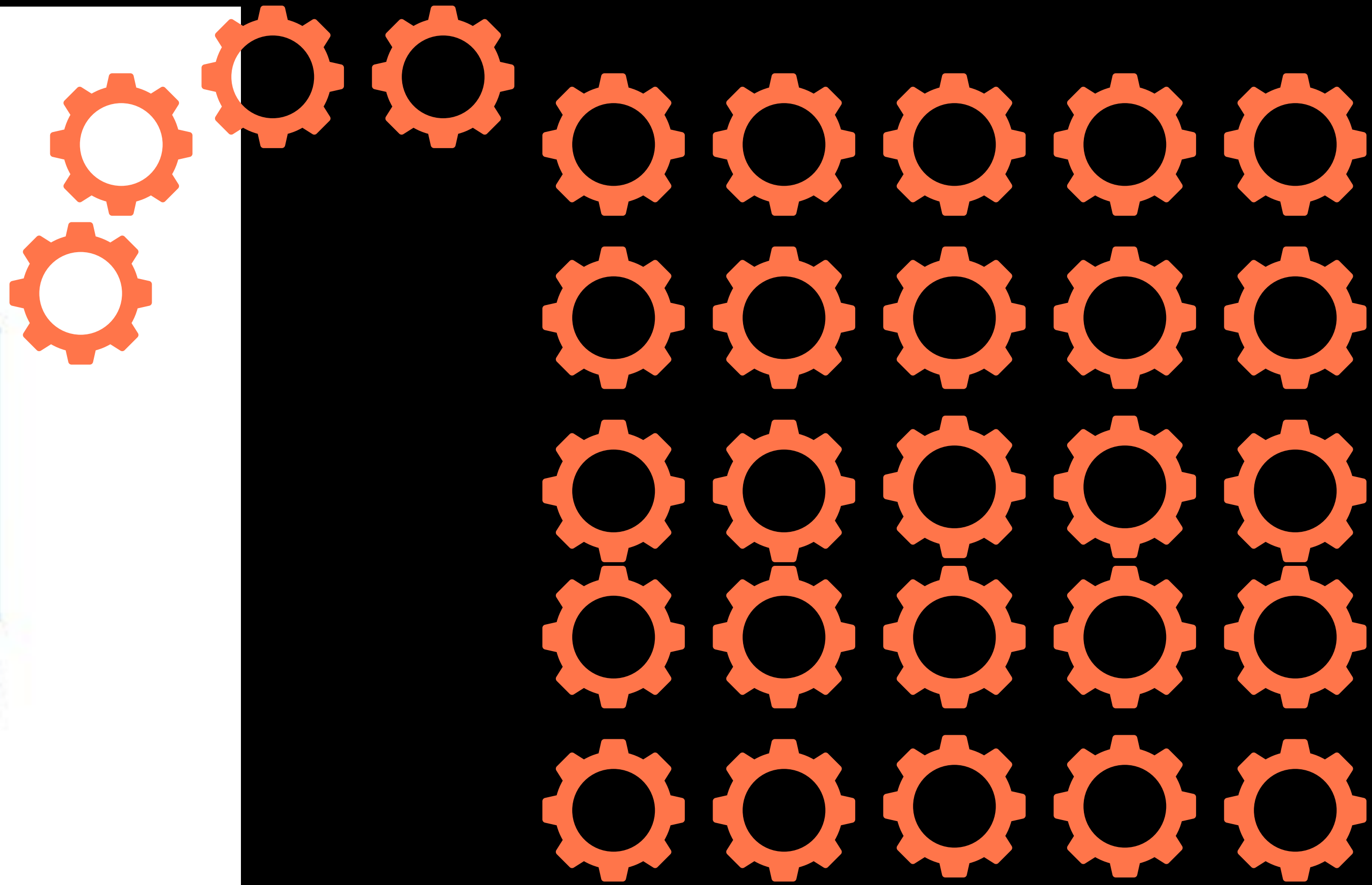




# For a widget factory, one unit is one widget.



FACTORY



**One  
Unit.**




**One  
Unit.**

**For lemonade  
stand, one unit  
is one glass of  
lemonade.**






A photograph of two women in white shirts with black polka dots sitting at a grey desk. They are looking at and pointing to documents. One woman is holding a pen. The background is slightly blurred, showing a plant and a chair.

**One  
Unit.**

**For a consulting  
firm, one unit is  
one hour of  
billable time.**

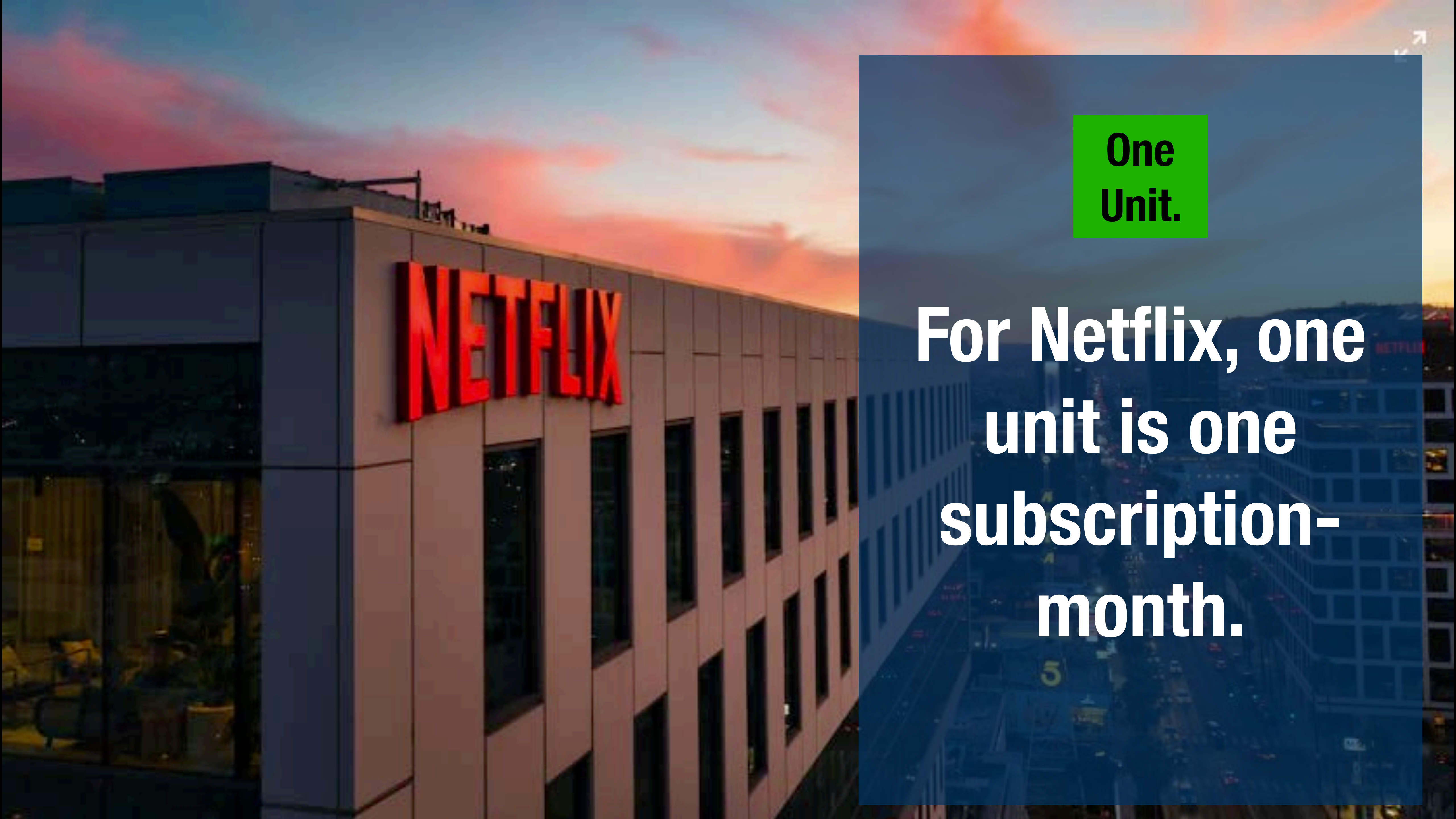




**One  
Unit.**

**For a bakery, one  
unit is one loaf of  
bread.**




A photograph of a modern, multi-story building with a prominent red 'NETFLIX' sign on its facade. The building is set against a dramatic sky with soft, colorful clouds in shades of orange, pink, and blue, suggesting a sunset or sunrise. The building's architecture features a grid of windows and a clean, minimalist design. A semi-transparent blue overlay covers the right side of the image, containing text.

**One  
Unit.**

**For Netflix, one  
unit is one  
subscription-  
month.**





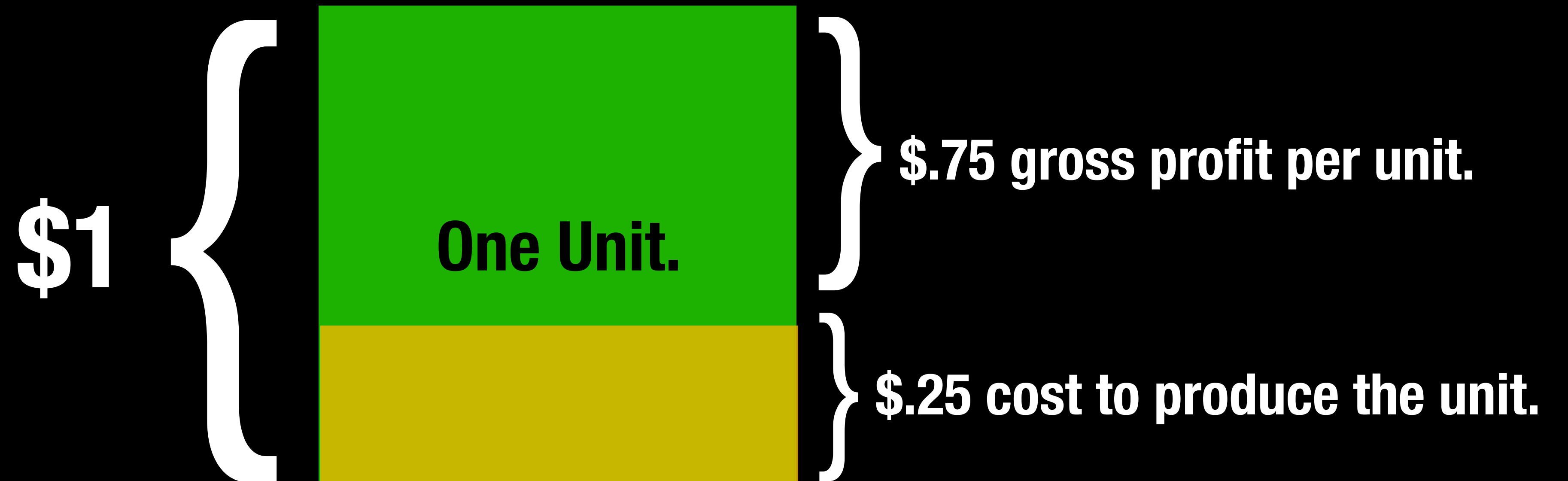
**One  
Unit.**

**For an airline,  
one unit is one  
seat-mile.**

# Unit Economics

Every business distills down to unit economics.

Something we can produce for X, and customers will pay Y for it.





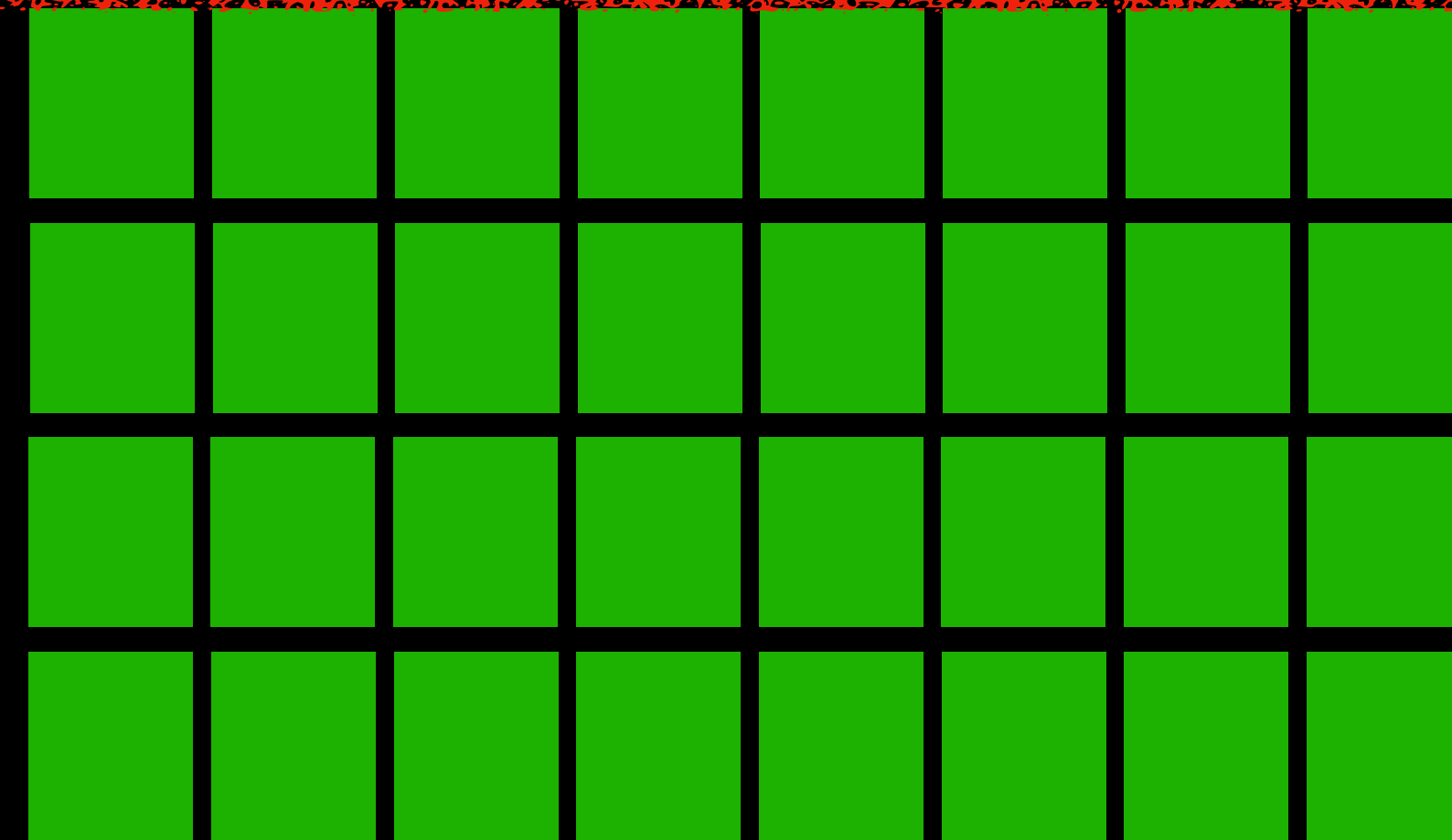
# Enterprise Economics

**Fixed Overhead**

**Breakeven**

Management salaries, insurance,  
IT costs, rent, utilities, etc, etc,  
etc,

**G&A (overhead):**



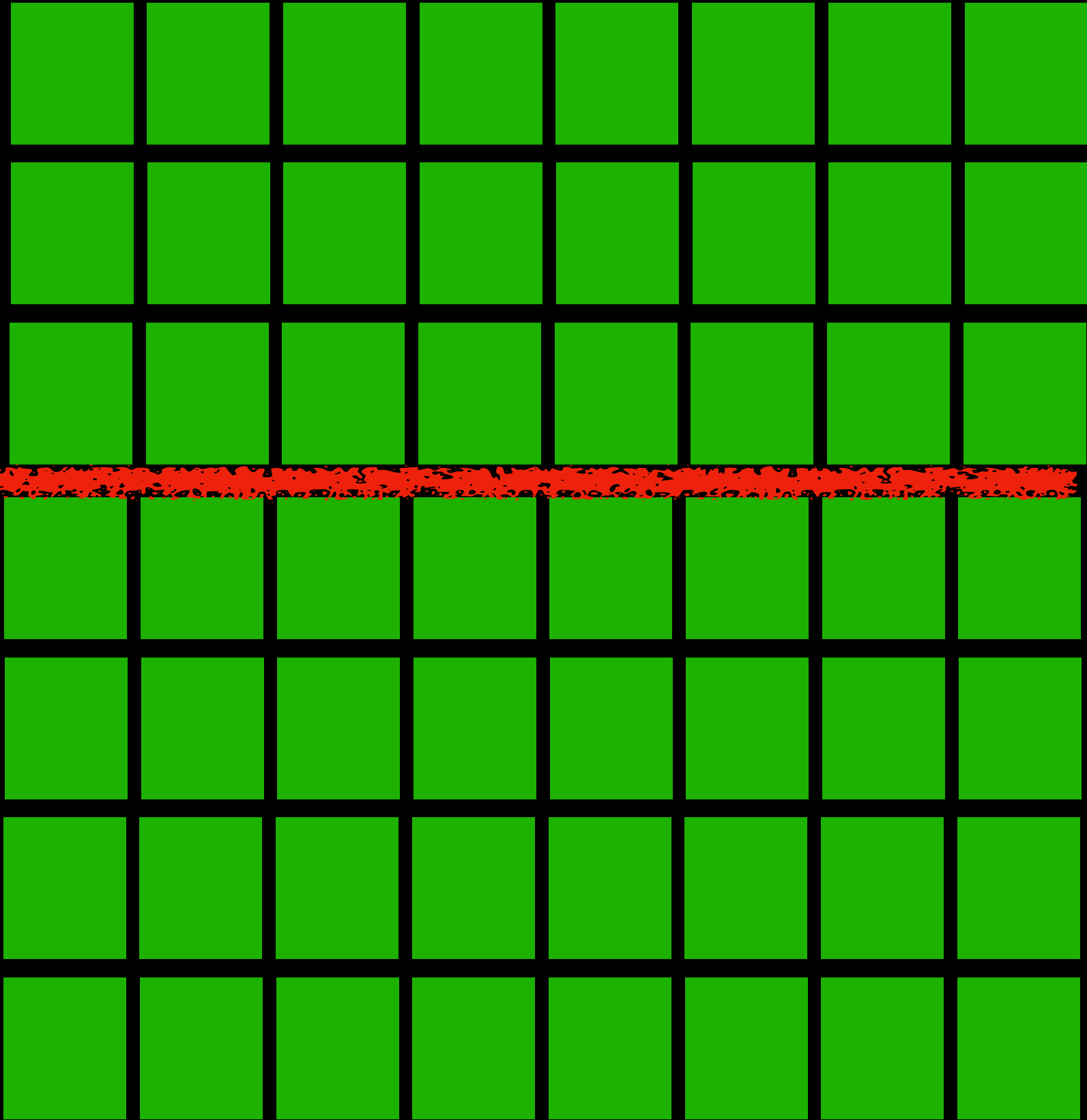
**Units sold:**

# Enterprise Economics

Fixed Overhead

Management salaries, insurance,  
IT costs, rent, utilities, etc, etc,  
etc,

G&A (overhead):



Units sold:

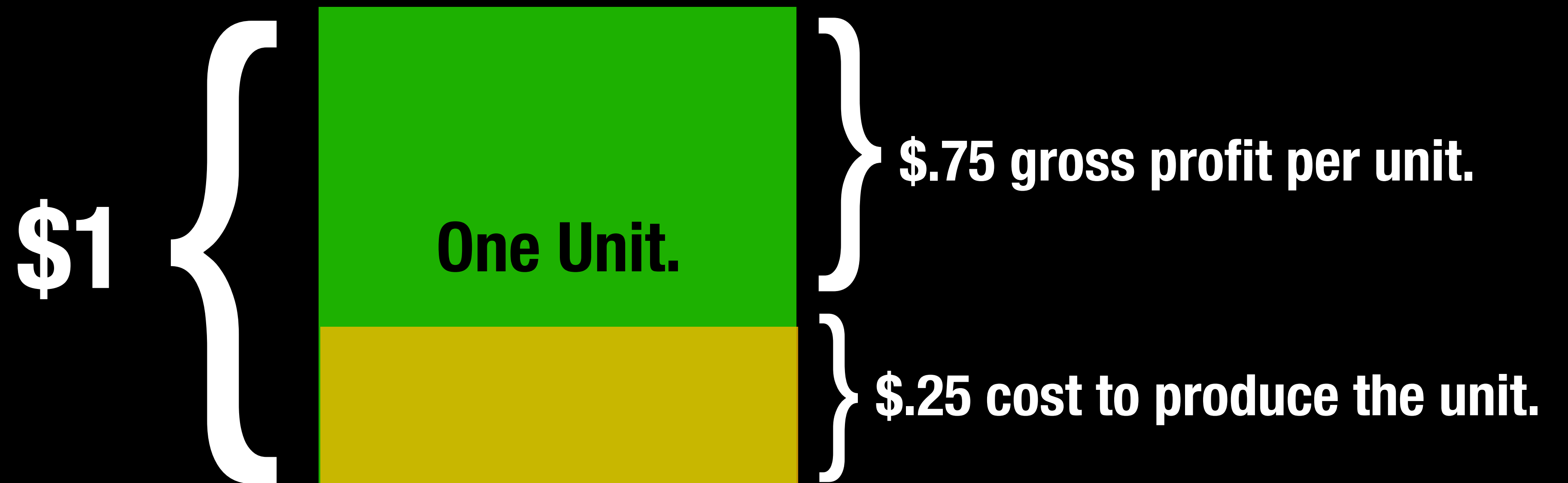
} Operating Profit

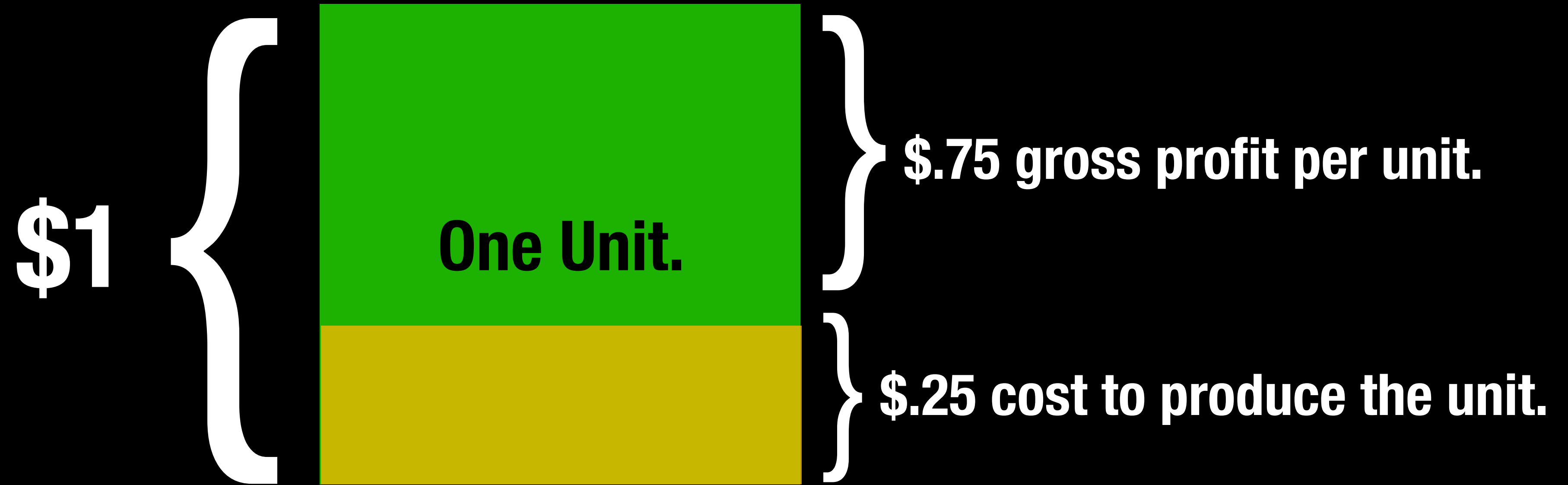
# What is one unit for your venture?

## Unit Economics

Every business distills down to unit economics.

Something we can produce for X, and customers will pay Y for it.





**Understanding unit economics will lead us  
to the most important equation of all:**

$$\text{CAC} < \text{LTV}$$

**One equation to rule them all:**

$$\text{CAC} < \text{LTV}$$

Customer Aquisition Cost must be less than the Lifetime Value of a customer.

It's fundamental economics. Having this equation wrong is a leading cause of startup death.

**Let's say we spend \$10,000  
in the quarter and we get  
1,000 new customers.**

$$\text{CAC} = \$10$$

**We make \$5 gross profit on  
every widget we sell.**

**On average a new  
customer ends up buying 2  
widgets in their first order,  
and then come back and  
buy 3 more.**

$$\text{LTV} = \$25$$

**Winner winner chicken dinner!**

**One equation to rule them all:**

$$\text{CAC} < \text{LTV}$$

**Customer Aquisition Cost must be less than the Lifetime Value of a customer.**

**It's fundamental economics. Having this equation wrong is a leading cause of startup death.**

**Amazon customers spend an average of \$790/year. Amazon Kindle owners spend \$1233/year.**

**The average Netflix subscriber stays on board for 25 months, with a LTV of \$291.25**

**The average Starbucks customer spends \$24.30/week and remains a customer for 12 years. That's \$15,163, and Starbucks has an average margin of 21%, so the lifetime value of a customer is \$3,184.**



**“The purpose of a business is to create and keep a customer.”**

**- Peter Drucker**

**“The purpose of a business is to create and keep a customer.”**

**- Peter Drucker**

$$\text{CAC} < \text{LTV}$$

Eventually, Customer Acquisition Cost must be less than the Lifetime Value of a customer.

Typically, the **Lifetime Value** of a customer goes up over time, as you get better at keeping customers longer, cross-selling and upselling, getting referrals to new customers, etc.



LTV

$$\text{CAC} < \text{LTV}$$

Eventually, Customer Acquisition Cost must be less than the Lifetime Value of a customer.

Typically, your **Customer Acquisition Cost** goes down over time, as you optimize your marketing efforts, build brand equity, partnerships begin to pay off, and your word-of-mouth footprint grows.

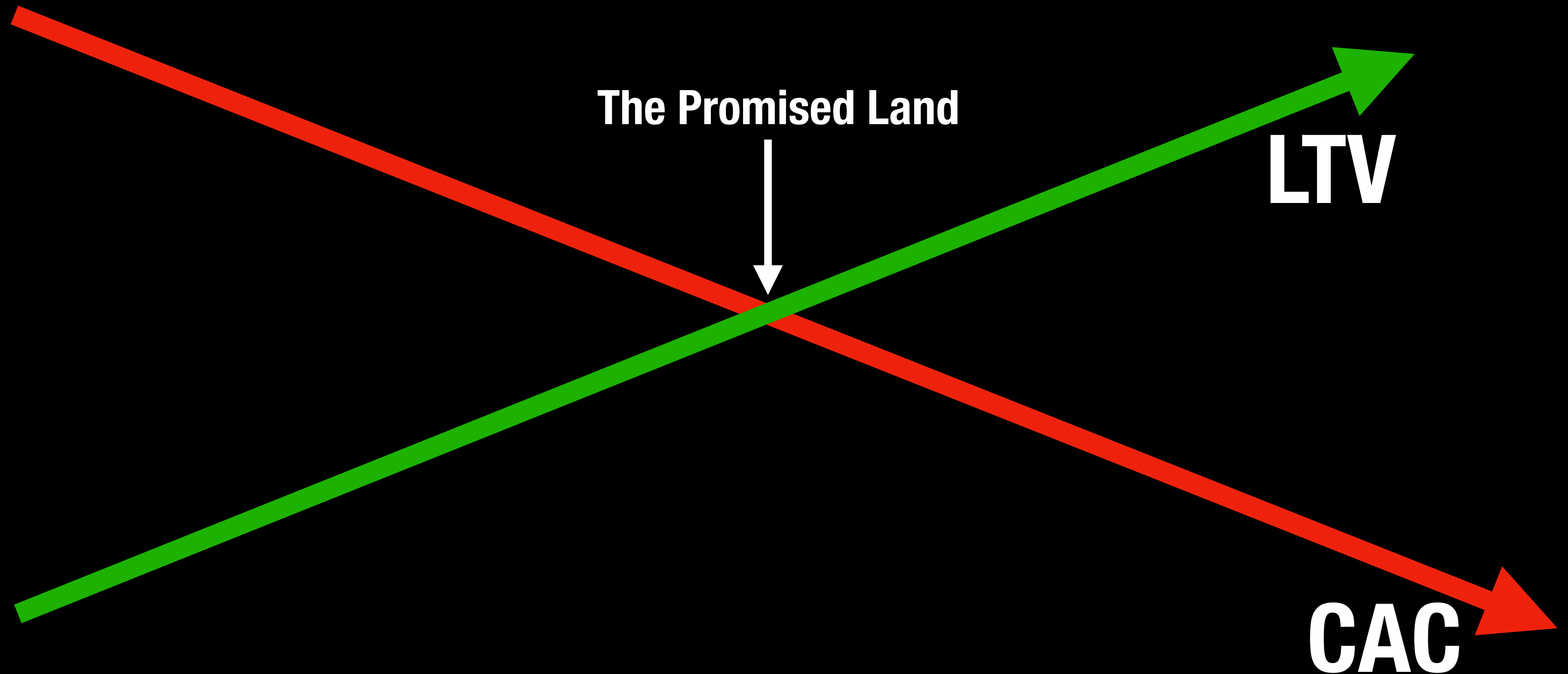


CAC



$$\text{CAC} < \text{LTV}$$

Eventually, Customer Acquisition Cost must be less than the Lifetime Value of a customer.



# Economic Modeling.

**“The point of a economic model is to tell a story with numbers – a story about opportunity, resource requirements, market forces, growth, milestone achievements, and profits.”**

**– Guy Kawasaki**

**Income Statement (P&I)**

**Balance Sheet**

**GAAP Accounting Rules**

**Depreciation Tables**

**Modified Accelerated Cost Method**

Tonight we're creating an economic model for our venture, not financial statements.

Accounting statements are backward-looking, for reporting and tax purposes.



fx

---

Setup Costs ▾



BUS-217: WEEK 5

## Engineer An Economic Model

*The numbers need to work.*

We created a Launch Path Canvas, and now the next step is to look at the economics of our model. Our definition of a business model was “The rationale by which an organization creates, delivers, and captures value”, so how do we translate that into a set of numbers that represent the model?

Ultimately, any business has to be a sustainable engine that acquires customers for a cost of X and is able to monetize them for a value of Y. And so there is one equation to rule them all: Customer Acquisition Cost (CAC) needs to be less than the Lifetime Value of a customer (LTV). Memorize that one equation, because it's the one that will ultimately determine whether your startup flies or dies.

---

*“The point of a set of financials is to tell a story with numbers – a story about opportunity, resource requirements, market forces, growth, milestone achievements, and profits.”.*

-Guy Kawasaki

### Main Reading:

- [Create an economic model.](#)
- [Unit Economics](#)
- [CAC<LTV](#)
- [Tutorspree](#)

### Other Reading:

- [COGS for SaaS](#)
- [Slow Money is Sweet](#)

### Assignment:

- What is one unit for your particular venture? What are the unit economics? Then build a full economic model for the first year of operation. Create yours from scratch or, if it's helpful you can start with [the Fitaco one](#).

### Founder Interview:

- Zach Morgan talks about scaling his startup, Solfium. [Listen now](#).





|   |   |     |   |  |  |  |  |  |  |
|---|---|-----|---|--|--|--|--|--|--|
| 1 | Assumptions   |     |   |  |  |  |  |  |  |
| 2 | Putting certain assumptions on one tab makes it easier for us to do "what if" scenerios on our assumptions. |     |   |  |  |  |  |  |  |
| 3 |   |     |   |  |  |  |  |  |  |
| 4 | Payroll Load  | 20% | People cost us more than their salary, because of benefits, payroll tax, etc. |  |  |  |  |  |  |
| 5 | Credit Card Fee   | 3%  | What we have to pay the credit card companies.                                |  |  |  |  |  |  |
| 6 | Average Tacos in one order  | 3   |   |  |  |  |  |  |  |
| 7 |   |     |   |  |  |  |  |  |  |
| 8 |   |     |   |  |  |  |  |  |  |

+
≡
Summary
Assumptions
CAC:LTV
G&A
S&M
Revenue
COGS
People
Setup Costs

| Cost of Goods Sold (COGS)  |        |                           |               |
|--|--------|---------------------------|---------------|
|  |        |                           |               |
| One Taco   |        | One Average Order         |               |
| Ingredients  | \$1.20 | Tacos                     | 3             |
| Labor  | \$1.50 | Ingredients               | \$3.60        |
| Packaging  | \$0.83 | Labor                     | \$4.50        |
| Total COGS on one taco.  | \$3.53 | Packaging                 | \$1.25        |
|  |        | COGS                      | \$9.35        |
|  |        |                           |               |
| Sell Price   | \$5.00 | Sell Price                | \$15.00       |
| Gross Profit on one taco.  | \$1.47 | Gross Profit on one order | \$5.66 37.70% |
| Assume delivery charge equals delivery cost, so not included here. |        |                           |               |

SummaryAssumptionsCAC:LTVG&AS&MRevenueCOGSPeopleSetup Costs



| People   |           |          |          |           |           |           |           |           |           |           |           |           |           |
|--|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| People are the most expansive part of any venture. |           |          |          |           |           |           |           |           |           |           |           |           |           |
|  |           |          |          |           |           |           |           |           |           |           |           |           |           |
| Salaried Employees                                 | Jan       | Feb      | Mar      | Apr       | May       | Jun       | Jul       | Aug       | Sep       | Oct       | Nov       | Dec       |           |
| CEO  | \$ 8,500  | \$ 8,500 | \$ 8,500 | \$ 8,500  | \$ 8,500  | \$ 8,500  | \$ 8,500  | \$ 8,500  | \$ 8,500  | \$ 8,500  | \$ 8,500  | \$ 8,500  | \$ 8,500  |
| Nutritionist                                       |           |          |          |           | \$ 7,000  | \$ 7,000  | \$ 7,000  | \$ 7,000  | \$ 7,000  | \$ 7,000  | \$ 7,000  | \$ 7,000  | \$ 7,000  |
| Marketing Manager                                  |           |          |          | \$ 3,000  | \$ 3,000  | \$ 3,000  | \$ 3,000  | \$ 3,000  | \$ 3,000  | \$ 3,000  | \$ 3,000  | \$ 3,000  | \$ 3,000  |
| Technical Support Staff                            |           |          |          |           |           |           | \$ 3,500  | \$ 3,500  | \$ 3,500  | \$ 3,500  | \$ 3,500  | \$ 3,500  | \$ 3,500  |
| Kitchen Manager                                    | \$ 6,500  | \$ 6,500 | \$ 6,500 | \$ 6,500  | \$ 6,500  | \$ 6,500  | \$ 6,500  | \$ 6,500  | \$ 6,500  | \$ 6,500  | \$ 6,500  | \$ 6,500  | \$ 6,500  |
| Total Salaries                                     | \$ 15,000 | \$ 8,500 | \$ 8,500 | \$ 11,500 | \$ 18,500 | \$ 18,500 | \$ 22,000 | \$ 22,000 | \$ 22,000 | \$ 22,000 | \$ 22,000 | \$ 22,000 | \$ 22,000 |
|  |           |          |          |           |           |           |           |           |           |           |           |           |           |
| Contractors  |           |          |          |           |           |           |           |           |           |           |           |           |           |
| Nutritionist                                       | \$4,500   | \$4,500  | \$4,500  | \$4,500   |           |           |           |           |           |           |           |           |           |
| Web/Mobile Developer                               | \$5,000   | \$5,000  | \$5,000  | \$5,000   | \$2,500   | \$2,500   | \$2,500   | \$2,500   | \$2,500   | \$2,500   | \$2,500   | \$2,500   | \$2,500   |
| UX Designer  | \$500     | \$1,200  | \$1,200  | \$100     | \$100     | \$100     | \$100     | \$100     | \$100     | \$100     | \$100     | \$100     | \$100     |
| Marketing Freelancer                               | \$1,000   | \$1,000  | \$2,500  | \$2,500   |           |           |           |           |           |           |           |           |           |
| Contractor Totals                                  | \$6,500   | \$7,200  | \$8,700  | \$7,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   |
|  |           |          |          |           |           |           |           |           |           |           |           |           |           |
| Tab Totals   |           |          |          |           |           |           |           |           |           |           |           |           |           |
| Salaries in Period                                 | \$15,000  | \$8,500  | \$8,500  | \$11,500  | \$18,500  | \$18,500  | \$22,000  | \$22,000  | \$22,000  | \$22,000  | \$22,000  | \$22,000  | \$22,000  |
| Salary Load for taxes and benefits                 | \$3,000   | \$1,700  | \$1,700  | \$2,300   | \$3,700   | \$3,700   | \$4,400   | \$4,400   | \$4,400   | \$4,400   | \$4,400   | \$4,400   | \$4,400   |
| Contractors in Period                              | \$6,500   | \$7,200  | \$8,700  | \$7,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   | \$2,600   |
| Total People Cost                                  | \$24,500  | \$17,400 | \$18,900 | \$21,400  | \$24,800  | \$24,800  | \$29,000  | \$29,000  | \$29,000  | \$29,000  | \$29,000  | \$29,000  | \$29,000  |
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|   |         |         |         |         |         |         |          |          |          |          |          |          |  |
|---|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|----------|--|
|   |         |         |         |         |         |         |          |          |          |          |          |          |  |
| Sales & Marketing   |         |         |         |         |         |         |          |          |          |          |          |          |  |
|   |         |         |         |         |         |         |          |          |          |          |          |          |  |
|   | Jan     | Feb     | Mar     | Apr     | May     | Jun     | Jul      | Aug      | Sep      | Oct      | Nov      | Dec      |  |
| Google Ads  | \$100   | \$100   | \$500   | \$1,000 | \$3,500 | \$3,500 | \$5,000  | \$7,500  | \$10,000 | \$15,000 | \$17,000 | \$20,000 |  |
| Social Media Ads  | \$100   | \$100   | \$500   | \$1,000 | \$3,500 | \$3,500 | \$3,500  | \$3,500  | \$3,500  | \$3,500  | \$3,500  | \$3,500  |  |
| Printing Flyers   |         |         | \$2,500 |         |         |         | \$2,500  |          |          |          |          |          |  |
| SEO agency  | \$1,500 | \$1,500 | \$1,500 | \$500   | \$500   | \$500   | \$500    | \$500    | \$500    | \$500    | \$500    | \$500    |  |
| Events  | \$500   | \$500   | \$500   | \$500   | \$500   | \$500   | \$500    | \$500    | \$500    | \$500    | \$500    | \$500    |  |
| Misc Marketing  | \$750   | \$750   | \$750   | \$750   | \$750   | \$750   | \$750    | \$750    | \$750    | \$750    | \$750    | \$750    |  |
| Total Sales & Marketing   | \$2,950 | \$2,950 | \$6,250 | \$3,750 | \$8,750 | \$8,750 | \$12,750 | \$12,750 | \$15,250 | \$20,250 | \$22,250 | \$25,250 |  |
|   |         |         |         |         |         |         |          |          |          |          |          |          |  |
|   |         |         |         |         |         |         |          |          |          |          |          |          |  |
| +   ≡   Summary ▾   Assumptions ▾   CAC:LTV ▾   G&A ▾   S&M ▾   Revenue ▾   COGS ▾   People ▾   Setup Costs ▾ |         |         |         |         |         |         |          |          |          |          |          |          |  |





| Customer Acquisition Cost (CAC)  | Jan     | Feb     | Mar     | Apr     | May     | Jun     | Jul      | Aug      | Sep      | Oct      | Nov      | Dec      |
|--|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|----------|
| Marketing Spend (see tab).   | \$2,950 | \$2,950 | \$6,250 | \$3,750 | \$8,750 | \$8,750 | \$12,750 | \$12,750 | \$15,250 | \$20,250 | \$22,250 | \$25,250 |
| New customers (see rev tab)  | 150     | 300     | 540     | 1080    | 1440    | 1600    | 1750     | 2450     | 3500     | 3300     | 3900     | 3250     |
| Customer Acquisition Cost  | \$20    | \$10    | \$12    | \$3     | \$6     | \$5     | \$7      | \$5      | \$4      | \$6      | \$6      | \$8      |
| CAC is just simply total marketing spend in a period divided by number of new customers acquired in that period. |         |         |         |         |         |         |          |          |          |          |          |          |
|  |         |         |         |         |         |         |          |          |          |          |          |          |
| Lifetime Value of a Customer (LTV)   |         |         |         |         |         |         |          |          |          |          |          |          |
| Gross Profit on One Order (see COGS tab)   | \$5.66  | \$5.66  | \$5.66  | \$5.66  | \$5.66  | \$5.66  | \$5.66   | \$5.66   | \$5.66   | \$5.66   | \$5.66   | \$5.66   |
| Lifetime Orders of each new customer (avg).  | 1       | 1       | 1       | 1.5     | 2       | 3       | 3        | 4        | 4        | 5        | 6        | 6        |
| Lifetime Value of a Customer (LTV)   | \$5.66  | \$5.66  | \$5.66  | \$8.48  | \$11.31 | \$16.97 | \$16.97  | \$22.62  | \$22.62  | \$28.28  | \$33.93  | \$33.93  |
|  |         |         |         |         |         |         |          |          |          |          |          |          |
| LTV/CAC Ratio  | 0.29    | 0.58    | 0.49    | 2.44    | 1.86    | 3.10    | 2.33     | 4.35     | 5.19     | 4.61     | 5.95     | 4.37     |
| A ratio under 1 means it costs us more to get a customer than we make from them.                                 |         |         |         |         |         |         |          |          |          |          |          |          |
|  |         |         |         |         |         |         |          |          |          |          |          |          |



|  |                                       | Jan       | Feb       | Mar      | Apr      | May      | Jun      | Jul       | Aug       | Sep       | Oct       | Nov       | Dec       |  |
|--|---------------------------------------|-----------|-----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|--|
|  | Revenue (see tab)                     | \$6,750   | \$13,500  | \$27,000 | \$54,000 | \$81,000 | \$90,000 | \$112,500 | \$157,500 | \$225,000 | \$247,500 | \$292,500 | \$292,500 |  |
|  |                                       |           |           |          |          |          |          |           |           |           |           |           |           |  |
|  | Cost of Goods Sold (see COGS tab).    | \$1,402   | \$2,804   | \$5,607  | \$11,214 | \$16,821 | \$18,690 | \$23,363  | \$32,708  | \$46,725  | \$51,398  | \$60,743  | \$60,743  |  |
|  | Gross Profit                          | \$5,348   | \$10,697  | \$21,393 | \$42,786 | \$64,179 | \$71,310 | \$89,138  | \$124,793 | \$178,275 | \$196,103 | \$231,758 | \$231,758 |  |
|  |                                       |           |           |          |          |          |          |           |           |           |           |           |           |  |
|  | SG&A                                  |           |           |          |          |          |          |           |           |           |           |           |           |  |
|  | General and Administrative (see tab). | \$2,690   | \$2,690   | \$2,690  | \$2,840  | \$2,920  | \$2,920  | \$4,120   | \$4,120   | \$4,120   | \$4,120   | \$4,120   | \$4,120   |  |
|  | Marketing (see tab).                  | \$2,950   | \$2,950   | \$6,250  | \$3,750  | \$8,750  | \$8,750  | \$12,750  | \$12,750  | \$15,250  | \$20,250  | \$22,250  | \$25,250  |  |
|  | People (see tab).                     | \$24,500  | \$17,400  | \$18,900 | \$21,400 | \$24,800 | \$24,800 | \$29,000  | \$29,000  | \$29,000  | \$29,000  | \$29,000  | \$29,000  |  |
|  | Total SG&A                            | \$30,140  | \$23,040  | \$27,840 | \$27,990 | \$36,470 | \$36,470 | \$45,870  | \$45,870  | \$48,370  | \$53,370  | \$55,370  | \$58,370  |  |
|  |                                       |           |           |          |          |          |          |           |           |           |           |           |           |  |
|  | Net Operating Profit (loss)           | -\$24,792 | -\$12,344 | -\$6,447 | \$14,796 | \$27,709 | \$34,840 | \$43,268  | \$78,923  | \$129,905 | \$142,733 | \$176,388 | \$173,388 |  |
|  |                                       |           |           |          |          |          |          |           |           |           |           |           |           |  |
|  |                                       |           |           |          |          |          |          |           |           |           |           |           |           |  |
|  | Setup Costs (see tab).                | -\$14,000 |           |          |          |          |          |           |           |           |           |           |           |  |

# **Creating an Economic Model for your venture:**

- **Don't get hung up on having perfect numbers. Toss guesses on there and you can refine and validate as you go along. That's what spreadsheets are good for!**
- **Don't think you need to be a financial expert who knows GAAP accounting rules. This is a cash-on-cash model. You can do it.**
- **There are two ways to create budgets: top-down and bottom-up. This is a bottom-up exercise.**
- **Don't outsource this. If you are going to be a CEO you have to feel the fundamental economics of the operation deep in your bones, and that's not going to happen if you hire a freelancer on Fiverr to build it for you.**



# **The purpose of a good economic model:**

- **Understanding the levers for your particular venture.**
- **Informing the capital strategy.**
- **Uncovering hidden insights.**
- **Understanding scaling dynamics for your particular venture.**
- **Communicating with investors and other stakeholders.**







**Pooja Singh** 2:04 PM

Earlier this year, I made a commitment to journal every day. It's been a game changer for clearing my mind. I just let everything spill onto the page — writing helps me sort through my thoughts and untangle the knots in my head. I've also noticed that when we journal, we often try to wrap up with some kind of resolution or insight. A good hike, especially one with far-reaching vistas, can work its magic too — there's something about spending time in nature that really clears the mind.



**Sarah Rosen** 12:49 PM

Walking, running, swimming and biking are pretty good activities to clear my head if I feel overwhelmed, but I think my top head clearing activity is soccer.



**Samal Zhussupbekova** 1:45 PM

To clear my head, I love doing art (drawing) and lately I'm into ceramic throwing on a wheel! It is still challenging for me to throw bigger pieces, but I enjoy it so much. I can't think about anything during the process, because I'm so in the moment mentally and physically (yes, it's physically hard to keep the clay centered) - after the session I'm so muddy, hungry and with an absolutely clear head like after a deep mediation. My studio that I go to is in Mountain view <https://www.southbayceramics.com/>. Speaking of meditation, I love Tibetan Singing Bowl meditations when I have time. For a quick fix I do "Self-observation" guided meditation by Arda Ozdemir (love his books too!) before going to sleep to stop mental race <https://rise2realize.libsyn.com/self-observation-guided-meditation>



**Alesya** 10:32 AM

Hi everyone! What really helps me stay centered is talking with my friends in Russian (English isn't my native language) so it's especially comforting. Just asking how they're doing, chatting with the girls, having familiar and warm conversations. It always grounds me and lifts my mood 🙌



**Irakli Sarava** 4:38 PM

Getting out into nature always helps me clear my head — whether it's walking, hiking, or taking an off-road ride to a high vantage point with a great view. Sharing quality time with a small circle of friends over a glass of wine, playing music — or these days, more often listening to someone else play live — has a similar effect.



**Abdi** 8:29 PM

To clear my head, I like to break out of routine and dive into something I know little or nothing about—whether it's exploring blockchain or building a water fountain from scratch. And yes, sometimes it's signing up for Business 217 🤔. It helps reset my perspective, spark curiosity, and remind me that I'm surrounded by others tackling bold challenges—there's real energy and inspiration in that.



**Pallavi** 9:54 AM

Whenever I need to clear my head, I turn on my favorite playlist and start cleaning around the house. 😊 Focusing on something I can control helps me work through frustration and regain a sense of balance. It's a simple way for me to reset mentally and emotionally, leaving me feeling calmer and more focused. This routine, though small, always helps me feel more at ease and ready to move forward. 🙌



**Chelsea** 9:20 PM

Mini road trip and listen to special playlist while driving is something I like to do to clear my head, it gives me fresh air and a free spirit. I also love to go concerts, with friends or by myself, I love indie bands, I can immersive myself into another world and feel exciting to discover great artists!



**David Perez** 6:14 PM

To destress I like to cook something comforting, fly somewhere warm and sunny, and enjoy a beer while listening to the sounds of the sea.



**Ranjana Soni** 12:51 PM

Cooking has always been my way to clear my mind. But last year, I found a new adventure companion—my motorbike. Riding taught me something deeper: to stay focused, be present, and find balance in the chaos. It's about looking ahead just enough to stay on course, staying calm through every twist, and trusting the journey until it's time to choose the next turn.

Just finished up Cooking Tofu Curry Masala with Tacos. @Bret I can help to curate different recipes for Fitaco.





**Anastasia Tsebro** 12:01 PM

The most significant mental clarity for me comes from **ditching all digital stimuli**. I turn off my phone, don't listen to music or watch shows, and try not to notice the time. This allows me to experience a state of complete non-urgency. I just read, walk, or write.

This practice does miracles for my brain within a couple of days. I start to really hear my own thoughts and notice the beautiful details in everyday life. It's super refreshing. Highly recommend!

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**Emerson Whatley** 9:40 PM

Polo is my happy place. When you are on a horse at a full gallop trying to make physical contact with your opponent, nothing else matters in the whole world. The season starts in June and I can already hear the thunderous sounds in my sleep.



**David Perez** 7:21 PM

Some who know me know I'm unhoused and that I vagabond from place to place. This lifestyle allows me to have a plethora of unique experiences. That said, it is difficult to get consistent sleep in borrowed beds. One upside to sleeping in new places is waking up in exciting locales. My favorite morning from the past six months was catching the sunrise in Atami, Japan (edited)



**Peter S** 9:00 PM

What I do to clear my head: exercise and golf! I weightlift 3-5 days a week and try to play a round of golf once a week, with practice sessions at the driving range / simulator bay sprinkled in periodically (sometimes twice a week, sometimes only twice a month).



**Akshay** 2:22 PM

Walking and boxing are my favorite ways to stay centered. Whether it's a nature trail or an urban trek, I love going on walks when I need to clear my head but keep my brain ticking. Boxing is the opposite as it's my way to zone out and just be totally in the moment, only thinking about how to improve my next move.

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**Summer Golden** 6:01 PM

For me, to clear my head I usually turn to a few grounding practices like journaling, yoga, or spending time outdoors. Whether it's going for a run, a hike, or working on my herb garden, nature and grounding really helps me reset!



**Clara Benedett** 12:36 PM

Practicing any of my hobbies helps to clear my mind: any sport, but especially tennis, yoga, lifting weights, spinning (love SoulCycle haha), or just walking/biking around the city.

Love outdoors as well.

I also love music, so playing guitar, listening to some good music/dancing and mixing some music (I DJ as a hobby as well) helps me a lot ❤️

And of course, I couldn't forget: eating some good food!!! hahah



**Alison Rowe** 11:56 AM

A quick or long walk with a friend's dog gives me a mini vacation at home and often makes me laugh. I take them to the dog beach or along hiking trails in the Presidio park. Here is a photo of Sedona, who I met while doing customer development interviews. She likes to walk with a carrot : )

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**Cindy Lin** 2:45 PM

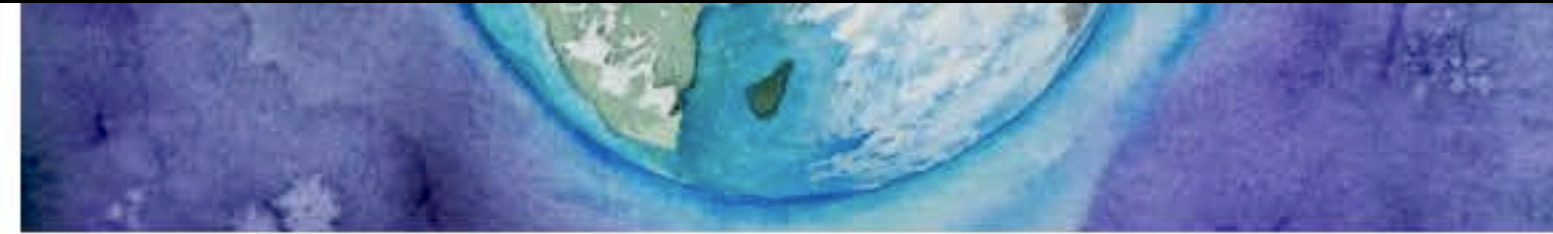
I take long walks, ideally somewhere green and quiet. There's something about the rhythm of walking that helps untangle my thoughts and put things in perspective. Sometimes I also practice Zen meditation when I can—it's a way to hit the reset button and come back to work with a clearer mind. Staying centered isn't always easy, but these routines help me find balance amid the chaos. Jikoji Zen Center is a small but famous zen center which was a meditation spot frequently visited by Steve Jobs. 40 mins driving from Stanford.

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BUS-217: SIDE SESSION – MAY 3, 2025

## Nonprofits And Social Ventures

***Using entrepreneurship to change the world.***

[AI summary of our side session.](#)

[Recording of our side session.](#) Passcode: F%V7.G14

*It once was that feeding the hungry, or tending to the poor, was the work of charities – nonprofit organizations that solicited donations and then delivered aid. But in recent years there's been the growth of "Social Entrepreneurship", using the power of markets to give more sustainability and scalability to efforts to have social impact. All over the world today, social entrepreneurs are addressing these challenges in innovative new ways, treating base of the pyramid populations as partners in opportunity instead of charity cases.*

*"Social entrepreneurs identify resources where other people only see problems. They view the villagers as the solution, not the passive beneficiary. They begin with the assumption of competence and unleash resources in the communities they're serving."*

David Bornstein

### **Main Reading:**

- [Nonprofits and Social Ventures](#)

### **Case Studies:**

- [Mauqa](#)
- [BeGirl](#)

### **Other Reading:**

- [The Social Chasm](#)

### **Assignment:**

- On the top middle of your **Launch Path Canvas** is a box that says "Why it matters". Distill down to once sentence why your startup matters in terms of impact, and write the sentence in that box.

### **Investor Interview:**

- Impact investor Roger Lang talks about his commitment to social and environmental

**Last Saturday we had our side session on Nonprofits, NGOs, and Social Ventures. I've put a complete recap for you on the class website.**



# Mindfulness and Meditation for Entrepreneurs.



**Optional session before our class on May 21.**

**Led by Utkarsh Sanjanwala  
CEO of the World Yoga Federation  
Graduate of BUS-217 and BUS-219.**







**Cat Divers** Yesterday at 8:56 PM

- **Assumptions:** People will turn to AI-powered group chat for relationship advice instead of friends, forums, or traditional therapy. We need to test whether this feels emotionally useful and trustworthy.
- **Risk:** If users don't trust or relate to the AI personas, they can opt for the real-life peer meetings. We're assuming enough users will purchase products or professional services for which we get commission to cover acquisition and retention costs.
- **Barriers to Scale:** Emotional tone and persona quality are hard to scale. As we grow, maintaining trust, handling sensitive topics, and ensuring content quality and appropriate safeguarding across more use cases could become resource-intensive.



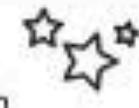




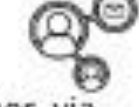




# The Launch Path Canvas

Name of Startup Venture: Tbc

Date: 6 May 25

Prepared by: Cat

Iteration: 1

|  |   |  |  |  |
|--|---|--|--|--|
| <b>Problem</b> <br>One clear sentence that articulates the problem your startup solves.<br><br>Romantic relationships are hard and it's difficult to find good advice and support when things go wrong.   | <b>Solution</b> <br>How does your venture solve the problem you have articulated? Keep this short and concise!<br><br>Our platform makes it easy for you to instantly discover a range of helpful advice and opinions for the problems you face.   | <b>Why it matters</b> <br>Why is this a problem worth solving?<br><br>As humans, relationships are what give us the greatest joy and the greatest pain.<br><br>Most couples wait over two years to get therapy, leaving a critical gap for earlier support and advice.  | <b>Alternatives</b> <br>When a customer looks at alternative ways to solve the problem we solve, what will they see? This is a list of competitors and alternatives. Link to a graphic representation of the landscape.<br><ul style="list-style-type: none"><li>• Friends &amp; family (stigma, fear of judgment &amp; can't relate)</li><li>• Therapists (E, hit and miss)</li><li>• Online forums (hit and miss)</li><li>• GPT (generic, lacks emotional nuance &amp; diversity of opinions)</li></ul> <a href="#">Link to graphic</a> | <b>Customer</b> <br>It's all about understanding customers. Write a one-sentence description of key customer personas and the problem we solve for each. Circle the one that is most influential.<br><br><u>Frustrated Freddie</u><br>Freddie's dating efforts go nowhere, leaving him doubting himself. He wants honest advice to understand what's going wrong. |
| <b>Path to PMF</b> <br>What is our path to Product-Market Fit? Customer Development, MVP's, etc.<br><ol style="list-style-type: none"><li>1. MVP: Launch AI-powered dating advice group chat</li><li>2. User Testing: Recruit 100 early users for feedback</li><li>3. Iteration: Optimize persona logic, trust safeguards etc.</li><li>4. Expand: Add live human hosts, topic-specific rooms</li><li>5. Learn, iterate, repeat</li></ol>  | <b>Top 3 Benefits</b> <br>What are the top 3 benefits that your product or services provides to customers?<br><ol style="list-style-type: none"><li>1. Instant emotional support (no waiting, no delays)</li><li>2. Multiple perspectives (better informed outcome)</li><li>3. Private &amp; stigma-free (anonymous)</li></ol> | <b>Distribution</b> <br>What are our distribution channels? Direct to consumer, via resellers, or?<br><ul style="list-style-type: none"><li>• Direct-to-consumer via mobile web app</li><li>• Social/influencer collabs with experts</li><li>• Organic SEO/AEO on related queries/answers</li><li>• B2B(2C) licensing</li></ul>   | <b>Positioning</b> <br>Within this landscape of competitors and alternatives, how is your venture positioned?<br><br>Access instant, diverse and quality opinions.<br><br>Modelled on experts, our AI-powered chatrooms offer safe spaces to explore romantic problems without delay or judgment. Access to human groups too!   | <u>Struggling Sophie</u><br>After feeling a real spark, Sophie was ghosted. She's hurt, confused, and wants clarity so she can move on.  |
| <b>Economics</b> <br>What are the Unit Economics for this venture, what do we expect the CAC<LTV to look like, and what are our capital needs? (Link to full spreadsheet).<br><ul style="list-style-type: none"><li>• One unit is one professional counselling/coaching session booked through our platform</li><li>• The average session value is \$100, and we take a 20% commission, earning \$20 per unit</li><li>• Projected CAC of \$15-25 per paying user</li><li>• Initial user LTV is estimated at \$60 (3 sessions)</li><li>• Our initial capital needs are \$750-900k to build the MVP, attract providers, and acquire early users</li></ul> |   | <b>Team</b> <br>What are the characteristics of the right team to make this venture a success?<br><ul style="list-style-type: none"><li>• Cat (CEO): Deep domain expertise in connecting people to support, experienced founder</li><li>• Michael (Product): Professional community product leader with experience at Meta, Quora etc.</li><li>• Technical TBC: AI/LLM expertise</li><li>• Advisor team: Therapist, behavioural scientist, AI ethics lead</li></ul> | <b>Defensibility</b> <br>What is your secret sauce that is difficult for competitors to copy?<br><ul style="list-style-type: none"><li>• Passionate, skilled team</li><li>• Proprietary persona and emotional tone calibration logic</li><li>• Model continues to learn based on interactions, community knowledge and user feedback</li></ul>  | <u>Anxious Alex</u><br>Alex overthinks every message and signal. He's stuck in uncertainty and wants reassurance and a clearer perspective.<br><br><u>Overwhelmed Olivia</u><br>Olivia's unsure if she should stay or leave her new relationship. She needs space to sort through her doubts.  |



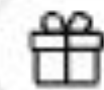
May 3, 2025

## *Warren Buffett Says He Plans to Step Down as Head of Berkshire*

Mr. Buffett said at the annual shareholders' meeting that he wanted to turn over the reins to Greg Abel at the end of the year. Earlier, he criticized Trump's trade policies.



Listen to this article · 8:18 min [Learn more](#)



Share full article



361





# Berkshire Hathaway

## \$776,264.46

+\$506,264.46 (+187.51%) Past 5 years

Advanced



### About

Berkshire Hathaway, Inc. is a holding company, which engages in the provision of property and casualty insurance and reinsurance, utilities and energy, freight rail transportation, finance, manufacturing, and retailing services. It operates through the following segments: Insurance, Burlington Northern Santa Fe, LLC (BNSF), Berkshire Hathaway Energy (BHE), Pilot Travel Centers (PTC), Manufacturing, McLane, and Service and Retailing. [Show more](#)

| CEO                   | Employees | Headquarters    | Founded |
|-----------------------|-----------|-----------------|---------|
| Warren Edward Buffett | 392,400   | Omaha, Nebraska | 1839    |

### Key statistics

|              |                      |                |                |
|--------------|----------------------|----------------|----------------|
| Market cap   | Price-Earnings ratio | Dividend yield | Average volume |
| 1.12T        | 13.08                | —              | 465.80         |
| High today   | Low today            | Open price     | Volume         |
| \$799,999.99 | \$755,603.60         | \$780,921.48   | 981.00         |
| 52 Week high | 52 Week low          |                |                |
| \$812,855.00 | \$601,500.00         |                |                |



**Warren Buffett**  
CEO, Berkshire Hathaway  
6th Richest Person in the World  
Net worth \$154 billion.





**Saved the money he made delivering newspapers.  
At the age of 11 started investing in the stock market.  
Went to Wharton and then Columbia Business School.**

**Started buying stock in a textile manufacturing company called Berkshire Hathaway, starting at \$7.50 per share, bought more and more .**

**The CEO wanted to buy the shares back, and offered \$11.50 per share. They made a handshake deal but then when the paperwork arrived it was for \$11.37 per share.**

**Warren Buffett was angry about this slight, so instead of selling he bought more shares and eventually took over the company.**





Today he calls it the worst deal he ever did.  
“What I learned is never do a deal because you’re angry”

May 7, 1958

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[NEXT MOMENT >](#)

## Berkshire-Hathaway Announces Mill Closing

PRIMARY SOURCE: [Newspaper, 1958](#)

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[COMMENTS \(8\)](#) [AUDIO](#) 



**After closing all 15 Berkshire Hathaway textile mills, he kept the shell of a company and used it as a holding company.**

**One of his professors at Columbia was on the board of Geico Insurance, so Warren Buffett started buying some shares of stock.**

**He became fascinated with the insurance business. Customers pay their premiums in advance, and you don't have to pay out until claims come much later. In the meantime, you get free "float" from all that cash.**

**Eventually, he bought all of Geico, and some other insurance companies, figuring he could use the float to buy more companies.**



**Today, Berkshire Hathaway owns 189 companies, from See's Candies to NetJets, from Geico Insurance to Duracel Batteries.**

**\$374 billion in revenue, as of 2024.**

**Current market capitalization of \$1.1 trillion.**

**He still pays himself the same \$100,000/year salary he's paid himself for the past 25 years.**



**He still lives in the house he bought in 1958.**



## BERKSHIRE HATHAWAY INC.

3555 Farnam Street  
Omaha, NE 68131

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- [A Message from Warren E. Buffett](#)
- [Annual & Interim Reports](#)  
Updated May 3, 2025
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- [Special Letters from Warren & Charlie RE:Past, Present and Future](#)
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## BERKSHIRE HATHAWAY INC.

### SHAREHOLDER LETTERS

|                      |                      |
|----------------------|----------------------|
| <a href="#">1977</a> | <a href="#">2001</a> |
| <a href="#">1978</a> | <a href="#">2002</a> |
| <a href="#">1979</a> | <a href="#">2003</a> |
| <a href="#">1980</a> | <a href="#">2004</a> |
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| <a href="#">1982</a> | <a href="#">2006</a> |
| <a href="#">1983</a> | <a href="#">2007</a> |
| <a href="#">1984</a> | <a href="#">2008</a> |
| <a href="#">1985</a> | <a href="#">2009</a> |
| <a href="#">1986</a> | <a href="#">2010</a> |
| <a href="#">1987</a> | <a href="#">2011</a> |
| <a href="#">1988</a> | <a href="#">2012</a> |
| <a href="#">1989</a> | <a href="#">2013</a> |
| <a href="#">1990</a> | <a href="#">2014</a> |
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| <a href="#">1994</a> | <a href="#">2018</a> |
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| <a href="#">1997</a> | <a href="#">2021</a> |
| <a href="#">1998</a> | <a href="#">2022</a> |
| <a href="#">1999</a> | <a href="#">2023</a> |
| <a href="#">2000</a> | <a href="#">2024</a> |

**Go to the website and read his annual letters to shareholders.**

**You will find more business wisdom in one place than anywhere else in the world**



## BERKSHIRE HATHAWAY INC.

To the Shareholders of Berkshire Hathaway Inc.:

This letter comes to you as part of Berkshire's annual *report*. As a public company, we are required to periodically tell you many specific facts and figures.

"Report," however, implies a greater responsibility. In addition to the mandated data, we believe we owe you additional commentary about what you own and how we think. Our goal is to communicate with you in a manner that we would wish you to use if our positions were reversed – that is, if you were Berkshire's CEO while I and my family were passive investors, trusting *you* with our savings.

This approach leads us to an annual recitation of both good and bad developments at the many businesses you indirectly own through your Berkshire shares. When discussing problems at specific subsidiaries, we do, however, try to follow the advice Tom Murphy gave to me 60 years ago: "praise by name, criticize by category."

### **Mistakes – Yes, We Make Them at Berkshire**

Sometimes I've made mistakes in assessing the future economics of a business I've purchased for Berkshire – each a case of capital allocation gone wrong. That happens with both judgments about marketable equities – we view these as *partial* ownership of businesses – and the 100% acquisitions of companies.

At other times, I've made mistakes when assessing the abilities or fidelity of the managers Berkshire is hiring. The fidelity disappointments can hurt beyond their financial impact, a pain that can approach that of a failed marriage.

A decent batting average in personnel decisions is all that can be hoped for. The cardinal

**“It takes 20 years to build a reputation, and five minutes to ruin it. If you think about that, you’ll do things differently”.**



**“I don’t look to jump over 7-foot bars. I look for 1-foot bars I can step over.”**

**“It’s better to hang out with people better than you. Pick associates whose behavior is better than yours and you’ll drift in that direction”.**



**“Of the billionaires I have known, money just brings out the basic traits in them. If they were jerks before they had money, now they are simply jerks with a billion dollars”**



**Warren Buffett**





**Warren Buffett**







**Warren Buffett**



**“Learning effective public speaking skills changed my life”.**



# BUS-217

**Step 1: Listen to the waves.**

**Step 2: Create something people want.**

**Step 3: Draw the landscape.**

**Step 4: Build an engine of growth.**

**Step 5: Engineer an economic model.**

**Step 6: Develop a capital strategy.**

**Step 7: Frame a funnel.**

**Step 8: Be a master storyteller.**



**</5>**